

STATE OF SOUTH CAROLINA

(Caption of Case)

In re: Application of Chem-Nuclear Systems, LLC,
for Adjustment in Levels of Allowable Costs and for
Identification of Allowable Costs (FY 2009-2010)

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

COVER SHEET

DOCKET

NUMBER: 2000 - 366 - A

(Please type or print)

Submitted by: Robert T. Bockman, EsquireSC Bar Number: 000747Address: McNair Law Firm, P.A.Telephone: 803-799-9800Post Office Box 11390Fax: 803-732-3219Columbia, South Carolina 29211

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DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition ☐ Request for item to be placed on Commission's Agenda expeditiously

☐ Other: _____

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)		
<input type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input type="checkbox"/> Letter	<input type="checkbox"/> Request
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certification
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigation
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement
<input type="checkbox"/> Electric/Water/Telecom.	<input checked="" type="checkbox"/> Application	<input type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition
<input type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena
<input type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	<input type="checkbox"/> Other:
<input checked="" type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest	
<input type="checkbox"/> Other:	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit	
	<input type="checkbox"/> Late-Filed Exhibit	<input type="checkbox"/> Report	

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

Docket No. 2000-366-A

IN RE: Application of Chem-Nuclear Systems,)
 LLC, a subsidiary of Duratek, Inc., for)
 Adjustment in the Levels of Allowable)
 Costs and for Identification of Allowable)
 Costs)
 _____)

APPLICATION
(for Fiscal Year 2009-2010)

Pursuant to the provisions of S.C. Code Ann. § 48-46-40(B)(4) (Supp. 2009), Chem-Nuclear Systems, LLC, a subsidiary of Duratek, Inc., ("Chem-Nuclear" or the "Company") submits this Application for adjustment in the levels of certain "allowable costs" and for the identification of certain "allowable costs" for the operation of its regional low-level radioactive waste disposal facility located in the vicinity of Barnwell, South Carolina. In support of the relief which it requests in this Application, Chem-Nuclear would respectfully show unto this honorable Commission:

1. On June 6, 2000, the Governor of the State of South Carolina signed the Atlantic Interstate Low-Level Radioactive Waste Compact Implementation Act (the "Act"). The Act is codified as S.C. Code Ann. §§ 48-46-10, *et seq.* (1976), as amended.

2. Section 48-46-40(B)(1) of the Act authorizes and directs the Commission "to identify allowable costs for operating a regional low-level radioactive waste disposal facility in South Carolina." Section 48-46-30(1) defines "allowable costs" as "costs to a disposal site operator of operating a regional disposal facility." Under that definition, such costs "are limited to costs determined by standard accounting practices and regulatory findings to be associated with facility operations."

3. Section 48-46-40(B)(3) of the Act provides that "allowable costs" expressly include the costs of certain specifically identified activities necessary in the operation of a low-level radioactive waste disposal facility. That Section also provides that "allowable costs" include "any other costs directly associated with disposal operations determined by [the Commission] to be allowable."

4. Chem-Nuclear operates a regional low-level radioactive waste disposal facility (the "Facility") in Barnwell County, South Carolina. Consequently, the Commission has the authority to identify the "allowable costs" for the Company's operation of the Facility.

5. The Facility is located on a tract of land consisting of approximately 235 acres which the State of South Carolina owns and which the Company leases from the South Carolina Budget and Control Board (the "Board"). The 235-acre site includes areas for various operations, including completed disposal trenches, potential trench areas, ancillary facilities, water management areas and buffer zone areas.

6. The Company conducts its operations at the Facility under South Carolina Radioactive Material License 097 ("License 097") by which the South Carolina Department of Health and Environmental Control ("DHEC") has authorized receipt, storage and disposal of low-level radioactive waste at the Facility. License 097 contains numerous technical conditions and specifications for management of waste at the Facility. In addition to the requirements of License 097, the Facility is subject to DHEC's regulations in 24A S.C. Code Reg. 61-63 (Supp. 2009). DHEC's regulations are compatible with the provisions of "Licensing Requirements for Land Disposal of Radioactive Wastes," which the United States Nuclear Regulatory Commission ("NRC") originally promulgated in 10 C.F.R. Part 61, and DHEC has adopted most of those provisions and enforces them through its own regulations under an agreement with the NRC.

7. On June 18, 2009, the Commission issued its Order No. 2009-371 in this docket. In that Order, the Commission identified certain categories of "allowable costs" and identified levels of "allowable costs" within those categories. Order No. 2009-371 approved certain rates for variable allowable costs and identified the sum of \$2,561,000 for total fixed allowable costs for the 12 months ending June 30, 2009. The Order also approved irregular costs of \$389,000 as allowable costs.

8. S.C. Code Ann. § 48-46-40(B)(4) (Supp. 2009) provides that an operator of a low-level radioactive waste disposal site may apply for adjustments in the levels of "allowable costs" that the Commission has identified for the previous fiscal year and for identification of costs that the Commission has not previously identified as "allowable costs." Upon approval of such application, Section 48-46-40(B)(4) requires the Commission to authorize the site operator to adjust its "allowable costs" for the current fiscal year to compensate the site operator for revenues lost during the previous fiscal year.

9. For the purposes of this Application and its Exhibits, the Company has used the cost categories that the Commission approved in Order No. 2009-371, which were based on the recommendations of the parties to the Collaborative Review of the Company's Operations and Efficiency Plan ("OEP").

10. During the Company's recently concluded Fiscal Year 2008-2009 (*i.e.*, the twelve months ending June 30, 2009), the Company's actual "allowable costs" in those categories that the Commission identified in Order No. 2009-371 for fixed costs were \$2,838,898. By this Application, the Company requests the Commission to approve the levels of actual fixed allowable costs for Fiscal Year 2008-2009 to permit the Company to be compensated for those allowable fixed cost components identified in Order No. 2009-371, as authorized by Section 48-46-40(B)(4). Consequently, the Company proposes an adjustment of \$277,898 for allowable fixed costs in this Application.

11. With respect to those allowable costs which Order No. 2009-371 characterized as irregular costs, the Company incurred total irregular costs for Fiscal Year 2008-2009 of \$360,592. The irregular costs that the Company actually experienced were less than the amount identified in Order No. 2009-371. Consequently, the Company proposes no adjustment for allowable irregular costs for Fiscal Year 2008-2009.

12. With respect to the allowable costs that Order No. 2009-371 characterized as variable labor and non-labor costs, which are dependent upon volumes of waste buried, the Company incurred actual costs in the category of variable labor and non-labor costs in Fiscal Year 2008-2009 which are \$56,234 less than the costs identified in Order No. 2009-371, using the variable cost rates identified by the Commission in that Order for categories of waste and using the volumes of waste buried in Fiscal Year 2008-2009. Therefore, the Company requests no adjustment for variable labor and non-labor costs in this Application.

13. With respect to vault costs, Order No. 2009-371 established certain variable cost rates for each type of waste disposed at the Facility. By applying those rates to the volumes of each type of waste actually buried in Fiscal Year 2008-2009, the Company calculated a total cost for routine disposal vaults of \$499,610. Based on the Company's actual experience in Fiscal Year 2008-2009, the Company incurred a cost of \$500,401 for routine disposal vaults. Therefore, the Company requests an adjustment of \$791 for vault costs in this Application.

14. The Company has attached to this Application three (3) exhibits pertaining to the adjustments and identification of the three (3) categories of "allowable costs" for its disposal operations.

15. Exhibit A to this Application describes in detail the Company's proposed adjustments for the recovery of its actually incurred costs for fixed, variable and irregular costs to reflect the differences between the level of "allowable costs" identified in Order No. 2009-371

and the level of the Company's actually incurred costs in Fiscal Year 2008-2009. Exhibit A also provides the rates for variable costs which were contained in Order No. 2009-371.

16. Exhibit B describes the actual irregular costs which the Company incurred in Fiscal Year 2008-2009, organized by project number.

17. Exhibit C depicts the total fixed costs, irregular costs and variable cost rates that the Company proposes for identification and approval for Fiscal Year 2009-2010.

18. For Fiscal Year 2009-2010, the Company requests identification as "allowable costs" a total of \$2,895,676 as allowable fixed costs, as depicted in Exhibit C. Exhibit C also identifies variable material cost rates and variable waste dependent labor rates for Fiscal Year 2009-2010. Irregular costs for Fiscal Year 2009-2010 anticipated at the time of this Application are \$153,000, as specified in Exhibit C. The costs and amounts in Exhibits A and C are consistent with the description of "allowable costs" in Section 48-46-40(B)(3), and they have been determined by standard accounting practices and are consistent with the recommendations of the Collaborative Review of the OEP as the Commission approved in Order No. 2004-349 in this Docket.

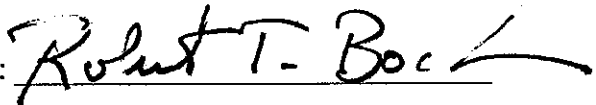
WHEREFORE, Chem-Nuclear Systems, LLC, a subsidiary of Duratek, Inc., respectfully prays unto this honorable Commission:

1. To review the Company's Application and issue its Order, under S.C. Code Ann. § 48-46-40(B)(4) (Supp. 2009), recognizing the levels of "allowable costs" as depicted in Exhibit A for Fiscal Year 2008-2009, and identifying the levels of irregular costs in Exhibit B for Fiscal Year 2008-2009, and identifying as "allowable costs" those costs depicted in Exhibit C for Fiscal Year 2009-2010.

2. For such other and further relief as is just and proper.

Respectfully submitted,

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By: 

Attorneys for Chem-Nuclear Systems, LLC

September 24, 2009

Columbia, South Carolina

**EXHIBIT A:
FISCAL YEAR 2008-2009 COSTS**

Fixed Costs: \$277,898 Adjustment Proposed

Fixed costs, subject to a 29% operating margin, were incurred in fiscal year 2008-2009 in the general categories of labor-related costs, non-labor costs, costs allocated from corporate functions, equipment leases and support, depreciation and insurance. Fixed costs, **not** subject to a 29% operating margin, were incurred in fiscal year 2008-2009 in the category of legal (license appeal). The following table compares the actual costs incurred to the costs identified as allowable in Commission Order No. 2009-371:

	Commission Order No. 2009-371	Actual Costs Incurred in FY 2008-2009	Adjustment Proposed
Labor, Fringe and Non-labor	\$1,000,000	\$1,292,726	
Corporate Allocation (G&A)	\$500,000	\$563,563	
Equipment leases and support	\$400,000	\$313,713	
Depreciation	\$188,000	\$154,407	
Insurance	\$448,000	\$458,425	
Subtotal (Fixed Cost subject to 29% margin)	\$2,536,000	\$2,782,834	
Legal (license appeal)	\$25,000	\$56,064	
Subtotal (Fixed Cost not subject to 29% margin)	\$25,000	\$56,064	
Total Fixed Costs	\$2,561,000	\$2,838,898	\$277,898

The actual Fixed Costs incurred during fiscal year 2008-2009 were \$2,838,898. This amount is \$277,898 more than the amount identified in Order Number 2009-371. Therefore, an adjustment of \$277,898 is requested in this category of costs.

Variable Costs:**Variable Labor and Non-Labor Costs****No Adjustment Proposed**

Commission Order No. 2009-371 identified the following categories of rates for projecting Variable Labor and Non-Labor costs: vault purchase and inspection (per vault), ABC waste disposal (per shipment), slit trench operations (per slit trench offload), customer assistance (per shipment), and trench records (per container).

The following table illustrates the Variable Labor and Non-Labor costs that would be calculated using the Variable Labor and Non-Labor rates identified in Order No. 2009-371 and the number of units in each category.

	Units	Variable Cost Rate in Order No. 2009-371	Calculated Cost
Vault Purchase & Inspection (per vault)	84	\$75.91	\$6,376
ABC Waste Disposal (per shipment) (total shipments, less slit trench shipments, less irregular project shipments)	90	\$1,818.55	\$163,670
Slit Trench Operations (per slit trench offload)	3	\$6,565.38	\$19,696
Customer Assistance (per shipment)	93	\$44.45	\$4,134
Trench records (per container)	128	\$124.06	\$15,880
Total Projected Variable Labor and Non-labor Cost			\$209,756

The actual Variable Labor and Non-Labor costs experienced in the disposal of waste in fiscal year 2008-2009 resulted in a Total Variable Labor and Non-Labor Cost of **\$153,521**. This amount is **\$56,234** less than the amount that would have been anticipated based on rates provided in Commission Order 2009-371. Therefore, Chem-Nuclear requests no adjustment in this category of costs.

Vault Costs**\$791 Adjustment Proposed**

The following table illustrates the vault costs that would be calculated using the Variable Cost rates identified in Commission Order No. 2009-371 and the volumes of waste received in each respective category.

	Volume Buried (cubic feet)	Variable Cost Rate in Order No. 2009-371	Calculated Cost
Class A waste	7,315.31	\$38.26	\$279,884
Class B waste	3,078.70	\$39.65	\$122,070
Class C waste	1,778.26	\$40.49	\$72,002
Slit Trench waste	141.80	\$180.92	\$25,654
Irregular Components (in vaults as an irregular cost)		N/A	N/A
Irregular Components (not in vaults)		N/A	N/A
Total Vault Cost			\$499,610
Total Volume	12,314.07		

The total cost incurred for routine disposal vaults used during fiscal year 2008-2009 was \$500,401. Therefore, Chem-Nuclear requests an adjustment of \$791 in this category of cost.

Irregular Costs: No Adjustment Proposed

The following table summarizes the Irregular costs incurred in fiscal year 2008-2009 organized by projects. Exhibit B provides additional descriptions of each of these irregular projects. The total costs incurred in fiscal year 2008-2009, as Irregular costs, were **\$360,592** compared to the amount identified in Commission Order No. 2009-371 of **\$389,000**. Chem-Nuclear therefore requests no adjustment in Irregular Costs.

Irregular Cost Item	Order No. 2009-371	Actual FY 08-09 Labor	Actual FY 08-09 Non-Labor	Total Cost FY 08-09
Various Trenches (design, construct, and backfill): Trench 86, Trench 97, Trench 98, and Slit Trench 36.	\$40,000	\$2,550.56	\$68,708.76	\$71,259.32
License Renewal and Appeal costs	\$5,000	\$9,189.18	\$382.02	\$9,571.20
Decontamination and Corrective Actions		\$1,533.10	\$6,474.15	\$8,007.25
Site Engineering and Drawing Updates	\$3,000	\$333.82	\$2,642.75	\$2,976.57
Site Assessments	\$30,000	\$1,509.41	\$2,841.61	\$4,351.02
Severance Pay:	\$300,000	\$8,588.54	\$178,750.40	\$187,338.94
Other Irregular costs (Waste Tracking Special Requests, Assessment of Proprietary Submittals, Special Site Maintenance Projects, Repairs to Environmental Lab, and B&CB staff support)	\$1,000	\$28,790.65	\$9,973.70	\$38,764.35
Puncture Stand Relocation		\$18,535.55	\$2,437.39	\$20,972.94
Increased Security Controls	\$10,000		\$17,349.98	\$17,349.98
Total Irregular Costs	\$389,000	\$71,030.81	\$289,560.76	\$360,591.57

EXHIBIT B:
FISCAL YEAR 2008-2009 IRREGULAR COSTS
ORGANIZED BY PROJECT

PROJECT NUMBERS	PROJECT NAME AND EXPLANATIONS
188701.8012 188701.8014 188701.8022 188701.8024 188701.8025 188701.8026 188701.8027	Various Trench Construction and Backfill Operations (Labor \$2,550.56 and Non-labor \$68,708.76) Trench construction activities in fiscal year 2008-2009 included design, construction and backfill (including use of free flowing sand where applicable) in Trench 86, Trench 97, Trench 98, and Slit Trench 36. Also included here are credits to various trench construction and backfill expenses incurred in the prior fiscal year.
952188.8001	Appeal DHEC License, License Administration, (Labor \$9,189.18 and Non-Labor \$382.02) Non-routine activities by licensing department and others related to the appeal process for the DHEC radioactive materials license renewal. Included here are costs for CNS labor. Legal expenses are included in fixed costs.
188000.8005 188000.8006	Decontamination and Corrective Actions (Labor \$1,533.10 and Non-labor \$6,474.15) Includes costs related to decontamination efforts and corrective actions required as a result of waste received for disposal. During fiscal year 2008-2009, costs incurred in these projects, although irregular and non-recurring in nature, were within the scope of waste disposal operations work.
188004.8001	Site Engineering & Drawing Updates (Labor \$333.82 and Non-labor \$2,642.75) Labor and contractor costs for site engineering support and preparation and reproduction of site drawings. The engineering support and drawings were required for various analyses and reports submitted to SC DHEC.
952183.8001	Site Assessments (Labor \$1,509.41 and Non-Labor \$2,841.61) Included here are costs associated with special projects related to site performance as directed by SC DHEC. Also included are costs for providing SC DHEC with requested data records and analysis.
952186.8002	Irregular Severance (Labor \$8,588.54 and Non Labor \$178,750.40) Includes costs for labor to screen employees and identify those to be terminated with severance pay. The reduction in labor resources was part of the transition to Atlantic Compact only disposal operations. Severance pay is considered a non-labor cost.
952182.8002 952182.8003 952183.8002 952183.8003	Other Irregular Costs (Waste Tracking Special Requests, Assessment of Previous Proprietary Submittals, Repairs to the Environmental Laboratory, B&CB Staff Requests) (Labor \$28,717.45 and Non-labor \$9,973.70)

952192.8002 188000.8009 188000.8011 188004.8002	<p>Included here are costs for specific special requests for waste disposal data from generators, regulators and others acting in an official capacity. Also included are costs for a review requested by SC DHEC of reports and documents previously submitted as proprietary information, repairs to the Barnwell Environmental Laboratory, and support for SC B&CB staff requests. Also included here are adjustments (credits to expense) in projects from the previous Fiscal Year (Monitoring Well Abandonment, Waste Tracking Database Software and Mary's Branch Investigation)</p>
188031.8001	<p>Puncture Stand Relocation (Labor \$18,535.55 and Non-labor \$2,437.39) Included here are costs for repair and relocation of the waste package test stand. This device had to be moved from its previous location in Trench 86 to a more mobile location in the vicinity of an active trench.</p>
188008.8001	<p>Increased Security Controls (Labor \$0 and Non-labor \$17,349.98) Costs associated with maintenance, repair and replacement of physical security equipment as approved by SC DHEC to implement increased controls over radioactive materials at the disposal site. Some of the previously installed equipment was damaged during a storm.</p>

**EXHIBIT C:
FISCAL YEAR 2009-2010 COSTS**

We propose the following amounts be identified as allowable costs for fiscal year 2009-2010:

FIXED COSTS	
Fixed Costs to which 29% operating margin is added	
Labor, Fringe and Non-Labor	\$1,318,581
Corporate Allocations (Management Fees/G&A)	\$574,834
Depreciation	\$157,495
Insurance	\$467,594
Equipment Leases and Support	\$319,987
Fixed Costs to which 29% operating margin is not added	
Legal Support (license appeal)	\$57,185
Total Fixed Costs	\$2,895,676
IRREGULAR COSTS	
Trench Construction	\$30,000
License Appeal	\$10,000
Corrective Action	\$5,000
Site Engineering Drawing	\$3,000
Site Assessments	\$5,000
Miscellaneous	\$5,000
Increased Security Controls	\$20,000
Severance Pay	\$75,000
Total Irregular Costs	\$153,000
VARIABLE COSTS	
Variable Labor and Non-Labor Rates	
Vault Purchase and Inspection (per vault)	\$77.43
ABC Waste Disposal (per shipment)	\$1,854.92
Slit Trench Operations (per slit trench offload)	\$6,696.69
Customer Assistance (per shipment)	\$45.34
Trench Records (per container)	\$126.54
Variable Material Cost Rates (Vaults)	
Class A Waste (per cubic foot)	\$39.03
Class B Waste (per cubic foot)	\$40.44
Class C Waste (per cubic foot)	\$41.30
Slit Trench Waste (per cubic foot)	\$184.54

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IN RE: Application of Chem-Nuclear Systems,)
LLC, a Subsidiary of Energy Solutions for)
Adjustment in the Levels of Allowable)
Costs and for Identification of Allowable)
Costs (FY 2008-2009 Proceeding))
_____)

**CERTIFICATE
OF SERVICE**

I, ElizaBeth A. Blitch, do hereby certify that I have this date served one (1) copy of the Application of Chem-Nuclear Systems, LLC for FY 2009-2010 upon the following parties of record by causing said copies to be deposited with the United States Postal Service, first class postage prepaid and properly affixed thereto, and addressed as follows:

The Honorable Henry Dargan McMaster
Attorney General
State of South Carolina
Post Office Box 11549
Columbia, South Carolina 29211

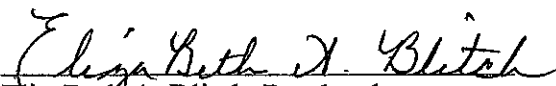
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September 24, 2009

Columbia, South Carolina